



**Director of  
Central  
Intelligence**

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# National Intelligence Daily

*Thursday  
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25X1

**Page Denied**

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25X1

Contents

Alert Memorandum

Iran-Iraq . . . . . 1

Situation Report

Iran . . . . . 4

Briefs and Comments

NATO: *Reactions to Turkey* . . . . . 6

25X1

Australia: *Indian Ocean Deployment* . . . . . 8

25X1

OPEC: *Conference Adjourns With Agreement* . . . . . 10

Israel-Lebanon: *Israeli Raid* . . . . . 10

International: *North-South Deadlock* . . . . . 11

25X6

25X1

Special Analysis

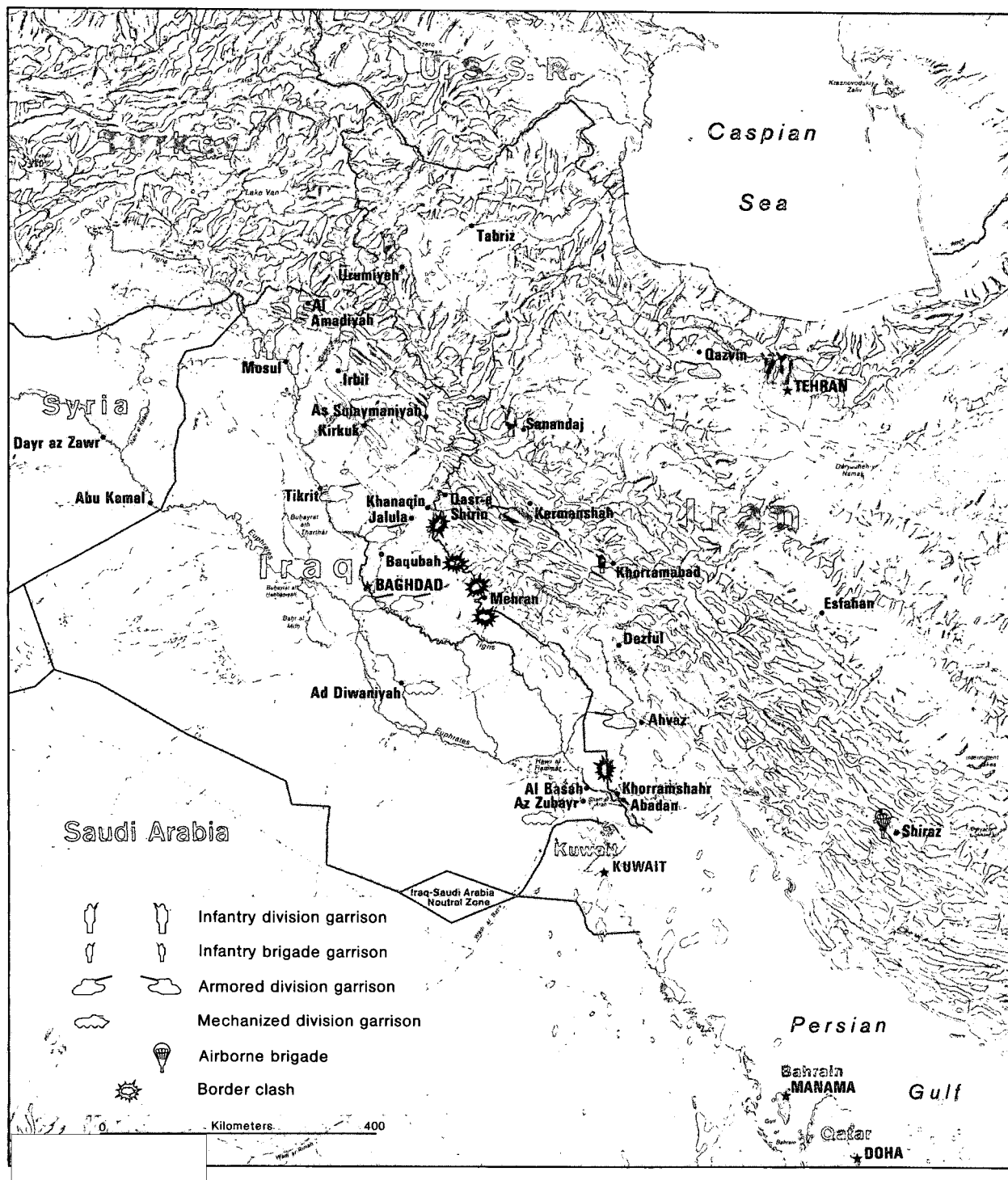
USSR-Poland: *Moscow's Reaction to Crisis* . . . . . 13

25X1

Top Secret

25X1

18 September 1980



25X1

Top Secret

25X1

## ALERT MEMORANDUM

## IRAN-IRAQ

*Border clashes between Iran and Iraq have escalated significantly since the beginning of September. Last weekend, Iraq apparently moved significant elements of an armored division to the central border area. Baghdad has occupied territory it claims should be returned under the 1975 Algiers Accord and threatened to seize more. Photography*

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*suggest that major elements of two Iraqi mechanized divisions either are preparing to leave or have left their garrisons, possibly for the border area.*

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Both Baghdad and Tehran have been constrained from initiating a major conflict in the past by numerous political and economic factors, including the threat of superpower intervention, the proximity of their oil installations to the border, and the danger that war would exacerbate domestic political unrest. These factors continue to restrain both Iran and Iraq, but Iraq's willingness to seize and hold disputed territory and its military movements represent a qualitative change that increases the danger that clashes will escalate out of control or that either side's perception of the constraints will suddenly change.

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If major hostilities between Iran and Iraq should occur, the US hostage crisis could be further complicated. Iran has long accused the United States of encouraging Iraqi aggression, and the militants holding the US hostages have threatened to kill them if Iraq launches a "full-scale" attack. Although Iranian propaganda cannot be accepted at face value, the threat to the hostages probably could be increased especially if Iran suffered a serious defeat.

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In the event of major hostilities, Iraq is capable of occupying the Khuzestan oilfields. Iraq's close ties to Iranian dissidents provide the means to set up a puppet government. But a major Iraqi offensive into

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25X1

1

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25X1

18 September 1980

Top Secret

25X1

Khuzestan would involve Iraq in a costly and protracted struggle with Iran. Iran, for its part, could disrupt Iraqi shipping in the Gulf. [redacted]

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Both Iraq and Iran have much of their oil infrastructure located near the border--two-thirds of Iraq's exports move through vulnerable Persian Gulf facilities--and these facilities would probably be damaged by fighting and sabotage if the conflict lasted more than a few days. Disruption to Iraq's oil exports would result in immediate renewed pressure on world oil prices. A prolonged cutoff of oil exports would have a severe impact on supply availability as well as prices. Iraq currently exports about 3 million barrels of crude oil per day, most of which is imported by Western Europe, Japan, and Brazil. The United States obtains only about 1 to 2 percent of its requirements for imported oil from Iraq. Iran currently exports about 800,000 barrels of crude oil and products per day; none goes to the United States. [redacted]

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An expanded conflict could also have a destabilizing impact on other Middle Eastern states. Iraq would seek to portray the conflict as one between Arabs and Persians in order to gain Arab backing. Iran might appeal, probably unsuccessfully, to Syria for support against their mutual enemy. Tehran would probably step up its appeals to the Shias in Iraq to revolt and might also urge the Shias in Saudi Arabia, Kuwait, Bahrain, and other Gulf countries to attack Iraqi and US interests. [redacted]

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The Soviets have long been concerned that military clashes between Iran and Iraq will damage their ties with both countries. They may also be worried that the United States could use intensification of the conflict to justify intervention in Iran or that Tehran would move to resolve its conflict with the United States in order to better confront Baghdad. Consequently, the Soviets probably consider their interests best served by the prevention of the outbreak of full-scale hostilities. [redacted]

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Should major hostilities occur, the Soviets might offer to act as a mediator and seek to arrange a cease-fire. If this effort fails, the Soviets might attempt to use their arms relationship with the Iraqis to persuade them to desist. The USSR, however, is unlikely to cut off arms. The consequences of limiting Iraqi arms supplies would be to force Baghdad to search for alternative Western sources of arms and damage bilateral Soviet-Iraqi relations. If Iraq were to seek to occupy large parts of Iran--such as the oilfields--Soviet efforts to dissuade Baghdad would probably be even stronger, possibly including warnings that Iraqi occupation could lead to Soviet military intervention in Iran to protect the USSR's interests along its southern border.

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25X1

18 September 1980

Top Secret

25X1

## SITUATION REPORT

### IRAN

*Iraqi President Saddam Hussein's abrogation yesterday of the 1975 Algiers Accord with Iran suggests that Iraq intends to force further border changes.* [redacted]

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Saddam declared the accord "null and void," saying that Iran had violated its terms by interfering in Iraqi domestic affairs and by failing to return disputed territory. Pointedly warning Iran to benefit from recent military "lessons," Saddam called on Iran to return all the land "usurped" from Iraq and the Arab nation, the latter presumably a reference to the three islands near the Strait of Hormuz occupied by Iran in 1971 and still claimed by the United Arab Emirates. He also said that Iraq had decided to restore "complete legal and effective" sovereignty over the Shatt al Arab. [redacted]

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Iraqi leaders have been encouraged to move against Iran for a variety of reasons. [redacted]

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[redacted] presenting Baghdad with a unique opportunity to redress the terms of an agreement the Iraqis believe was unfairly forced on them by a then superior power. [redacted]

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Iraqi leaders may believe that their harsh repression of Shia Muslim dissidents earlier this year has put the security services in a better position to control Iraq's majority Shia community. Iraqi propaganda stressing the Arab-Persian nature of the dispute also probably has helped build popular support for a confrontation with Iran. [redacted]

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A more immediate factor in building support for an aggressive stance against Iran probably has been the Iraqi military's performance. Iraqi commanders initially were worried that their predominantly Shia Army might be reluctant to fight their Iranian coreligionists, but [redacted] recent clashes have dramatically improved Army morale. [redacted]

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25X1

18 September 1980



Top Secret

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[REDACTED]

A final Iraqi decision on how much military force will be needed to secure Iraq's goals probably hinges on Iran's response to Saddam Hussein's demands. [REDACTED]

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### Iranian Reaction

Tehran has not yet formally replied to Saddam's speech, but press reports indicate that a member of President Bani-Sadr's staff characterized it as a "declaration of war." Iran is unlikely to accept any changes in the border, especially along the Shatt al Arab. The Abadan refinery, a major supplier of fuel for domestic consumption, and the ports of Khorramshar and Abadan, which accounted for 10 percent of Iran's import tonnage last year, are located on the Shatt. [REDACTED]

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### Military Situation

Satellite photography taken Wednesday indicated no additional major Iraqi units had left garrison. Fighting continued yesterday. [REDACTED]

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[REDACTED] Photography taken Tuesday shows that small Iraqi mechanized and antiaircraft units have moved into position opposite Khorramshar and Abadan. [REDACTED]

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18 September 1980

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BRIEFS AND COMMENTS

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NATO: Reactions to Turkey

*Belgian, Danish, and Norwegian opposition to current NATO activities in Turkey is not shared by the other allies and reflects domestic political concerns in these three countries rather than substantial change in policy.* [redacted]

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In military terms, Belgian withdrawal from the NATO exercises in Turkey and Belgian, Danish, and Norwegian refusal to participate in an allied chiefs of staff visit to Turkey are low-cost actions. The NATO exercise will not be seriously impaired by the absence of 600 Belgian troops, and the chiefs of staff meeting has simply been postponed. [redacted]

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The Belgian, Danish, and Norwegian Governments apparently hope that they will soon be able to resume more normal relations with Turkey. Norway and Belgium have indicated that they will not insist on another round of NATO meetings before the next set of exercises in Turkey later this fall, provided Turkey does not offend human rights sensitivities too much. Denmark may be convinced to withdraw its request for a NATO review of the next exercises. [redacted]

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While the Danish Government has publicly expressed dismay over the Turkish military takeover, a Danish official privately has expressed understanding of the circumstances that led the Turkish General Staff to intervene. He said that the Danish Government now would assume a low profile on Turkey. There has been little Danish public reaction that would curb the government's flexibility in dealing with Turkey. [redacted]

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Belgium and Denmark apparently do not oppose continuing EC economic relations with Turkey. The EC Foreign Ministers on Monday decided to maintain existing EC cooperation with Turkey. [redacted]

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25X1

18 September 1980

**Page Denied**

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25X1

AUSTRALIA: Indian Ocean Deployment

*The Australian naval task force that is to enter the Indian Ocean next week on a two-and-a-half month cruise will be fulfilling a pledge by Canberra to contribute to an increased Western presence there.* [REDACTED]

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The task force includes an aircraft carrier, two destroyers, a submarine and two support ships and is the largest group of Australian warships to go to the Indian Ocean since World War II. It is larger than the naval forces sent by West Germany and by the UK earlier this year. [REDACTED]

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Two of the vessels will make port calls in the Persian Gulf, suggesting Canberra's willingness to take on a more visible role in the region than the other allies. Of those nations, only France has sent a ship into the Gulf this year. Port calls also will be made in India, Sri Lanka, Pakistan, and Oman, and naval exercises are scheduled separately with Pakistan and India. [REDACTED]

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Australia has suggested that the cruise will strengthen Western ties with nations where US visits might provoke unfriendly reactions. Such gains may be limited, however. Despite India's agreement to conduct joint exercises, New Delhi has linked Australia's naval activities to those of the United States, criticizing both as contrary to India's desire that the Indian Ocean become a zone of peace. [REDACTED]

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25X1

18 September 1980

25X1

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[redacted]

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## OPEC: Conference Adjourns With Agreement

The OPEC states appear to have worked out a last minute price compromise in which Saudi Arabia will raise its benchmark crude price \$2 to \$30 per barrel. Whether or not the agreement was unanimous, the session demonstrated the tough position Saudi Arabia has taken on oil price and supply issues and the close working relationship that has emerged between Saudi Arabia and Iraq on oil matters. Iraq, by declining to reduce its oil production substantially in the face of weak demand, has considerably strengthened Saudi Arabia's bargaining leverage with OPEC. Working together, the Saudis and Iraqis have managed to isolate OPEC hardliners--Iran, Libya, Algeria, and to a lesser extent, Nigeria. Continuing weak market conditions, in any event, make it highly unlikely that these countries could raise official prices substantially--if at all--unless they also were willing to bring production below desired levels. [redacted]

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[redacted]  
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## ISRAEL-LEBANON: Israeli Raid

Israeli seaborne commandos raided Palestinian targets in the Tyre area of southern Lebanon early today, a move designed to deter a guerrilla strike into Israel, according to an official Israeli spokesman. Yesterday Palestinian rockets had been fired into northern Israel for the first time since 24 August. That incident, coupled with [redacted] signs of an impending guerrilla incursion, led to today's action. [redacted] yesterday did not note any buildup of Israeli troop strength there. [redacted]

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[redacted]

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INTERNATIONAL: North-South Deadlock

The Eleventh Special Session of the UN General Assembly ended in deadlock on Monday because of basic disagreement on procedures to be used by the UN-sponsored North-South negotiations on global economic problems to be held in 1981. Developed countries, led by the US, UK, and West Germany, feel that the new meeting as proposed by the less developed countries for discussing economic issues would erode the authority of existing institutions such as the International Monetary Fund and General Agreement on Tariffs and Trade. OPEC, however, insists on a central meeting in which energy issues would be merged with other economic problems, and nonoil developing countries want a central meeting in order to maintain the political influence that they are able to wield as a group. This lack of agreement on basic procedure portends a very difficult beginning for the global negotiations that are to begin in January and little prospect for substantive achievement.

25X1

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25X1

18 September 1980

25X1

**Page Denied**



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SPECIAL ANALYSIS

USSR-POLAND: Moscow's Reaction to Crisis

by Mel Goodman, CIA

*At this point the Soviets must be questioning whether the Polish leadership has the will or ability to restore stability in Poland in a way that leaves intact the party's authority and the regime's socialist orientation.*

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Moscow probably is willing to give party leader Kania more time to pull the situation together but can hardly be impressed with his progress so far.

--New trade union leaders continue to cooperate with political dissidents.

--Together they maintain the initiative vis-a-vis the regime.

--There is confusion and discord in the lower levels of the party itself.

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We have already seen substantial Soviet political pressure--most notably Moscow's hand in the sweeping changes that were made in the Polish leadership last month. Moreover, Moscow has advanced the ideological justification for any action they wish to take.

--The trade union issue is portrayed as serving the interests of international forces dedicated to exploiting the current crisis to the detriment of Poland and socialism.

--Western assistance to "antisocialist groups" has been noted and described as interference in Poland's internal affairs.

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Top Secret

25X1

18 September 1980

Top Secret

25X1

--Leaders of the strike movement have been said to have "counterrevolutionary aims."

--[ ] Soviets have pointed to trends in Warsaw similar to those in Czechoslovakia during the Prague spring.

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--They describe the notion of independent unions representing the workers better than the party itself as "inconceivable." [ ]

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We believe that the Soviets are taking some preparatory military measures with the expectation that the use of force may be necessary. [ ]

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### Options

Additional Soviet political pressure and military preparations can be expected as the Polish political crisis continues to unfold. This could take the form of a Soviet-Polish summit, a broader Warsaw Pact summit, public statements by Soviet leaders, and much higher levels of polemics. [ ]

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If Kania is unable to make demonstrable progress toward containing the situation, the Soviets could hold additional military exercises including some with scenarios that rehearse the invasion of Poland. They could also conduct more extensive mobilization in the

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18 September 1980

Top Secret

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western USSR as well as move airborne and air transport units. Such developments would be reminiscent of Soviet actions before the invasion of Czechoslovakia. This level of activity might be accompanied by efforts to introduce additional Soviet divisions into Poland under the guise of a "Warsaw Pact maneuver." [REDACTED]

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It is possible that the Soviets have already reached a decision to intervene militarily. We continue to believe, however, that they have not passed the point of no return and that their decision will depend on where the situation goes from here, and not on what has happened thus far. The Soviets realize that Kania cannot move precipitously or reverse the situation in a short time. Moscow, however, is now placing itself in a better position to threaten and even use military force if Kania cannot limit the concessions granted the strikers, or if his moves to regain control spark a violent popular reaction. [REDACTED]

25X1

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18 September 1980

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